Rating Action: Assured Guaranty Corp

Moody's downgrades Assured Guaranty to Aa2, Assured Guaranty Re to Aa3; outlook stable

New York, November 21, 2008 -- Moody's Investors Service has downgraded to Aa2 from Aaa the insurance financial strength ratings of Assured Guaranty Corp. and its wholly owned subsidiary, Assured Guaranty (UK) Ltd., (collectively AGC); and has also downgraded to Aa3 from Aa2 the insurance financial strength ratings of Assured Guaranty Re Ltd. (AG Re) and its affiliated insurance operating companies. In the same rating action, Moody's downgraded to A2 from Aa3 the senior unsecured rating of Assured Guaranty US Holdings Inc. and the issuer rating of the ultimate holding company, Assured Guaranty Ltd. (Bermuda). Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on Assured's exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of AGC or AG Re. The rating agency added that the acquisition of FSA by Assured Guaranty will, if completed as planned, create a combined entity with substantial financial resources and a strong market position.

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by Assured are also downgraded to Aa2, except those with higher published underlying ratings (and for structured finance securities, except those with higher published or unpublished underlying ratings). A list of these securities will be made available under "Ratings Lists" at www.moodys.com/guarantors.

The downgrades primarily reflect Moody's view that the business model of financial guaranty insurance has been damaged over the past year due to sustained turmoil in credit markets and the very poor performance exhibited by a number of guarantors. This has a number of specific implications for AGC and AG Re. First, we see fewer new business opportunities and weaker confidence in the industry overall. Second, we believe the group's business position and financial flexibility may be quite sensitive to potential changes in its risk profile. Third is the impact that large and potentially correlated risk exposures could have on the company's financial strength should the performance of those exposures deteriorate, particularly in light of the current economic environment. Finally, though somewhat less significant, is Moody's expectation of greater losses on mortgage related exposures, resulting in a modest deterioration of capital adequacy at both AGC and AG Re.

In Moody's view, the level of demand for financial guaranty insurance over the near-to-medium-term is less certain than in the past, which has negative implications for the strength and stability of both AGC and AG Re's business franchise. There has been a sharp decline in structured finance business opportunities in the primary market as a result of the current market dislocation, and future structured finance underwriting opportunities are likely to be tempered by concern over the volatility associated with certain structured credits. While there continues to be a market for municipal bond insurance, Moody's said that prospective opportunities in the municipal sector may also be narrower than in the past given changing perceptions about municipal risk among buyers, lower confidence in the financial guaranty industry broadly and a trend toward alternative forms of execution, including the issuance of uninsured paper. Moody's noted, however, that while the financial guaranty industry's importance within the US municipal market has declined overall, AGC's relative competitive position in these markets has been favorably affected by its position as one of three primary financial guarantors with limited exposure to higher-risk ABS CDOs, and that AG Re should continue to benefit from its affiliation with AGC.

Moody's also believes that customer demand may be inherently unstable, with a very sharp fall-off in demand likely to result from even moderate declines in a guarantor's credit profile. This susceptibility to changes in credit risk profile creates a "demand cliff" beyond that observed in most other industries. Furthermore, the extreme sensitivity of a financial guarantor's franchise value to changes in its risk profile also affects financial flexibility, where even the best positioned firm could experience a dramatic constriction of financing options if material losses were to develop.

AG Re's Aa3 insurance financial strength rating considers that as a reinsurer, AG Re's franchise is not only impacted by the broader challenges facing the financial guaranty industry, but also by its reliance on the business volumes and capital management strategies of AGC and other primary guarantors. As the highest rated financial guaranty reinsurer, AG Re has a strong competitive position and should continue to benefit from its affiliation with AGC. However, with few active 3rd party customers, Moody's believes that AG Re's principal role is likely to be as a vehicle through which AGC can manage its own capital position; under stress scenarios affecting both AGC and AG Re the group may have greater incentive to support AGC than AG Re.

AGC's Aa2 and AG Re's Aa3 insurance financial strength ratings and stable rating outlook reflect Moody's view that the aggregate resources at both companies (including statutory contingency reserves and contingent capital) provide a very substantial capital cushion above expected loss levels. Assured's disciplined underwriting strategy and municipal market expansion have resulted in a generally high-quality and diversified insured portfolio beyond the firm's mortgage-related exposures. Most non-mortgage exposures are performing well, although the insured portfolio is exposed to transaction or sector deterioration, especially in light of the increased risk of a prolonged and deep recession.

On November 20, 2008, Moody's released a report titled "The Changing Business of Financial Guaranty Insurance." The report, which can be accessed on Moodys.com, explores the above mentioned industry challenges and vulnerabilities in the context of Moody's financial guaranty rating methodology.

LIST OF RATING ACTIONS

The following ratings have been downgraded:

Assured Guaranty Corp. -- insurance financial strength rating to Aa2 from Aaa;

Assured Guaranty (UK) Ltd. -- insurance financial strength to Aa2 from Aaa;

Assured Guaranty Re Ltd. -- insurance financial strength to Aa3 from Aa2;

Assured Guaranty Mortgage Insurance Company -- insurance financial strength to Aa3 from Aa2;

Assured Guaranty Re Overseas Ltd. -- insurance financial strength to Aa3 from Aa2;

Assured Guaranty US Holdings Inc. -- senior unsecured to A2 from Aa3, junior subordinated debt to A3 from A1;

Assured Guaranty Ltd. (Bermuda) -- issuer rating to A2 from Aa3;

Assured Guaranty Capital Trusts I and II -- provisional preferred to (P)A3 from (P)A1; and

Woodbourne Capital Trusts I, II, III, and IV -- contingent capital securities to A1 from Aa2.

The following ratings were assigned:

Assured Guaranty US Holdings Inc. -- provisional senior unsecured at (P)A2, provisional subordinated debt at (P)A3; and

Assured Guaranty Ltd. (Bermuda) -- provisional senior unsecured at (P)A2, provisional subordinated debt at (P)A3, provisional preferred at (P)Baa1.

Assured Guaranty Corp., a wholly owned subsidiary of Assured Guaranty US Holdings Inc., is a financial guaranty insurance company based in New York. At September 30, 2008, Assured Guaranty Corp. had net par exposure of $112 billion and qualified statutory capital of $1.1 billion. Assured Guaranty Re Ltd. is a financial guaranty reinsurance company based in Bermuda with net par exposure of $115 billion as of September 30, 2008. Assured Guaranty Re and Assured Guaranty US Holdings Inc. are wholly owned by Assured Guaranty Ltd. [NYSE:AGO], a Bermuda-based holding company. As of September 30, 2008, Assured Guaranty Ltd. had total assets of $4.4 billion and $2.1 billion in GAAP shareholder's equity.

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